

TOWN OF ALDERSON, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

Ralph Osborn
Certified Public Accountant
500 South Chestnut
P.O. Box 1015
Bristow, Oklahoma 74010-1015

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
Town of Alderson, Oklahoma

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Alderson, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Alderson's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Adverse Opinion

The financial statements referred to above do not contain complete financial data. The financial statements were prepared from available data and do not include all activity for the year. Because of this the revenue and expenses are not complete.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph the financial statements referred to above do not present fairly the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Alderson as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

I draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 11, 2017, on my consideration of Town of Alderson's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Alderson, Oklahoma's internal control over financial reporting and compliance.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
September 11, 2017

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2013

	Primary Government		
	Governmental	Business	
	Activities	Type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 298,119	\$ 23,376	\$ 321,495
Investments	109,085	-	109,085
Due from other funds	190,913	(190,913)	-
Total current assets	598,117	(167,537)	430,580
Non-current assets:			
Capital assets			
Land	-	5,000	5,000
Other capital assets net of accumulated depreciation	268,158	2,061,335	2,329,493
Total non-current assets	268,158	2,066,335	2,334,493
Total assets	866,275	1,898,798	2,765,073
LIABILITIES			
Current liabilities:			
Note payable, current	-	5,799	5,799
Total current liabilities	-	5,799	5,799
Non-current liabilities:			
Note payable, non-current	-	386,819	386,819
Total non-current liabilities	-	386,819	386,819
Total liabilities	-	392,618	392,618
NET ASSETS			
Invested in capital assets, net of related debt	268,158	1,673,717	1,941,875
Unrestricted	598,117	(167,537)	430,580
Total net assets	\$ 866,275	\$1,506,180	\$ 2,372,455

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013

Function/Programs	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
Administration	\$ 134,504	\$ -	\$ 1,771	\$ -	\$ (132,733)
Street	407	-	1,819	-	1,412
Total governmental activities	<u>134,911</u>	<u>-</u>	<u>3,590</u>	<u>-</u>	<u>(131,321)</u>
Business-type activities					
Public Works	<u>96,172</u>	<u>46,266</u>	<u>-</u>	<u>-</u>	<u>(49,906)</u>
Total business-type activities	<u>96,172</u>	<u>46,266</u>	<u>-</u>	<u>-</u>	<u>(49,906)</u>
Total primary government	<u>\$ 231,083</u>	<u>\$ 46,266</u>	<u>\$ 3,590</u>	<u>\$ -</u>	<u>\$ (181,227)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	<u>\$ (131,321)</u>	<u>\$ (49,906)</u>	<u>\$ (181,227)</u>
General revenues			
Taxes			
Sales and use taxes	96,672	-	96,672
Franchise	7,479	-	7,479
Cigarette	1,115	-	1,115
Other Income	4,067	-	4,067
Interest	<u>1,250</u>	<u>-</u>	<u>1,250</u>
Total general revenue	<u>110,583</u>	<u>-</u>	<u>110,583</u>
Change in net assets	(20,738)	(49,906)	(70,644)
Net assets - beginning	<u>887,013</u>	<u>1,556,086</u>	<u>2,443,099</u>
Net assets - ending	<u>\$ 866,275</u>	<u>\$1,506,180</u>	<u>\$2,372,455</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
JUNE 30, 2013

	General Fund	Street and Alley Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 285,066	\$ 13,053	\$ 298,119
Investments	109,085	-	109,085
Due from other funds	<u>190,913</u>	<u>-</u>	<u>190,913</u>
TOTAL ASSETS	<u>\$ 585,064</u>	<u>\$ 13,053</u>	<u>\$ 598,117</u>
FUND BALANCES			
Nonspendable	190,913	-	190,913
Unassigned	<u>394,151</u>	<u>13,053</u>	<u>407,204</u>
TOTAL FUND BALANCES	<u>585,064</u>	<u>13,053</u>	598,117
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 585,064</u>	<u>\$ 13,053</u>	
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund, net of accumulated depreciation			<u>268,158</u>
Net assets of governmental activities			<u>\$ 866,275</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Street and Alley Fund	Total Governmental Funds
Revenue			
Sales tax	\$ 84,608	\$ -	\$ 84,608
Use tax	12,064	-	12,064
Cigarette tax	1,115	-	1,115
Alcoholic Beverage tax	1,771	-	1,771
Gas and auto tax	-	1,819	1,819
Franchise tax	7,479	-	7,479
Miscellaneous	4,067	-	4,067
Interest	1,250	-	1,250
Total revenue	<u>112,354</u>	<u>1,819</u>	<u>114,173</u>
Expenditures			
Administration	65,616	-	65,616
Street	-	407	407
Capital assets	158,048	-	158,048
Total expenditures	<u>223,664</u>	<u>407</u>	<u>224,071</u>
Net changes in fund balance	(111,310)	1,412	(109,898)
Fund balances, beginning (restated)	<u>696,374</u>	<u>11,641</u>	<u>708,015</u>
Fund balances, ending	<u>\$ 585,064</u>	<u>\$ 13,053</u>	<u>\$ 598,117</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013

Net changes in fund balances - total governmental funds \$ (109,898)

Amounts reported for governmental activities in the
statement of activities are different because:

Capital outlays to purchase or build capital assets
are reported in governmental funds as expenditures.
However, for governmental activities those cost are
shown in the combined statement of net assets and
allocated over their estimated useful lives as
annual depreciation in the statement of activities.
This is the amount by which capital outlay exceeds
depreciation outlay in the period.

Depreciation expense	(68,888)	
Capital outlay	<u>158,048</u>	<u>89,160</u>
Change in net assets		<u>\$ (20,738)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
MODIFIED CASH BASIS
JUNE 30, 2013

	<u>Public Works</u>
ASSETS	
Current Assets:	
Cash and cash equivalent	\$ 23,376
Total current assets	<u>23,376</u>
Non-current Assets	
Capital assets:	
Land	5,000
Capital assets, net of accumulated depreciation	<u>2,061,335</u>
Total non-current assets	<u>2,066,335</u>
Total assets	<u>2,089,711</u>
LIABILITIES	
Current liabilities:	
Due to other funds	190,913
Notes payable, current	<u>5,799</u>
Total current liabilities	<u>196,712</u>
Noncurrent liabilities:	
Notes payable, non-current	<u>386,819</u>
Total noncurrent liabilities	<u>386,819</u>
Total liabilities	<u>583,531</u>
NET ASSETS	
Nonspendable	1,673,717
Unassigned	<u>(167,537)</u>
Net assets of business-type activities	<u>\$1,506,180</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Wastewater charges	\$ 46,266
Total operating revenues	<u>46,266</u>
<u>OPERATING EXPENSES</u>	
Telephone and utility	1,773
Office	2,512
Repair and maintenance	23,520
Depreciation	<u>53,564</u>
Total operating expenses	<u>81,369</u>
Operating income (loss)	<u>(35,103)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Interest on notes payable	<u>(14,802)</u>
Total non-operating revenue (expenses)	<u>(14,802)</u>
Change in net assets of business type activities	(49,905)
Total net assets, beginning	<u>1,556,085</u>
Total net assets, ending	<u>\$1,506,180</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 44,816
Cash payments to suppliers for goods and services	<u>(27,805)</u>
Net cash provided (used) by operating activities	<u>17,011</u>
Cash flows from capital and related financing activities	
Increase/(decrease) in due from other funds	130,499
Interest paid on notes payable and fiscal fees	(14,802)
Principal paid on notes payable	<u>(137,132)</u>
Net cash used for capital and related financing activities	<u>(21,435)</u>
Cash flows from investing activities	
Interest revenue	<u>-</u>
Net cash provided by investing activities	<u>-</u>
Net increase in cash and cash equivalents	(4,424)
Cash and cash equivalents, beginning	<u>27,800</u>
Cash and cash equivalents, ending	<u>\$ 23,376</u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities	
Operating income (loss)	\$ (35,103)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation expense	53,564
Changes in assets and liabilities:	
Accounts payable	<u>(1,450)</u>
Net cash provided by operating activities	<u>\$ 17,011</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Alderson, Oklahoma, was incorporated under the laws of Oklahoma in 1926, for an indefinite existence. The Town's major operations include fire protection, public works and general administrative services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statement and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Reporting Entity

In evaluating how to define the Town of Alderson, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. The Alderson Public Works Authority is considered a component unit of the Town of Alderson and it has been included in the financial statements.

B. Basis of Presentation - Fund Accounting

The accounts of the Town of Alderson are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund is summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures.

The individual funds account for the government resources with laws, regulations, or other restrictions. The following funds are used by the Town.

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Governmental Funds:

The Town's governmental funds are comprised of the following:

Major Funds:

- General Fund - accounts for general operations of the Town.
- Street & Alley - accounts for motor fuel & vehicle licenses

Proprietary Funds:

The Town's proprietary fund includes the following:

- Alderson Public Works Authority - The public works authority is used to account for operations that are operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges.

C. Cash and Cash Equivalents

For the purpose of the statements of net assets, balance sheet, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit, and short-term investments with an original maturity of three-months or less. Certificate of deposits are reported at cost. The Town of Alderson maintains a cash pool that is available for all funds.

D. Inventories

Inventory of supplies is not reported on the financial statements of the Town. The amount of inventory on hand is not material to the financial statements.

E. Capital Assets and Depreciation

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund type or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In government-wide and proprietary fund financial statements, property, plant and equipment are accounted for as capital assets, net of accumulated depreciation where applicable. In the governmental fund statements, capital assets acquired are accounted for as capital outlay expenditures and not reported as capital assets.

Additions to the Alderson Public Works Authority are recorded at cost, if contributed property, at their estimated fair value at time of contribution. All costs incurred in connection with the acquisition or construction of water or sewer systems and improvements are capitalized. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Depreciation will be calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition.

F. Fund Balances and Net Assets

Fund balances generally reported in the governmental funds financial statements are displayed in two components:

Fund Balance:

- a. Reserved - Consist of fund balances that are either legally restricted as to use (such as voter restricted sales tax), or fund balances that are not available for expenditure in the subsequent year.
- b. Unreserved - All other fund balances not classified as "reserved".

At June 30, 2013, there were no government fund balance reserves.

Net Assets:

Net assets reported in the government-wide and proprietary fund financial statement are displayed in three components:

- a. Nonspendable - Consists of amounts that cannot be spent due to form; for example, inventories, prepaid amounts, long-term loan and notes receivable. May also include amounts that must be maintained intact legally or contractually such as corpus or principal of a permanent fund.
- b. Assigned - For all governmental funds other than the general fund, any remaining positive amounts not classified as nonspendable, restricted or committed. Also consists of general fund amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts.
- c. Unassigned - For the general fund, consists of amounts not classified as nonspendable, restricted, committed or assigned. Also consists of other governmental fund amounts expended in excess of resources that are nonspendable, restricted, committed or assigned (a residual deficit).

G. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgment and may vary from actual results.

H. Compensated Absences

The Town of Alderson has no liability for compensated absences at June 30, 2013.

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2013, all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$430,580 at June 30, 2013. The bank balance of the deposits at June 30, 2013 was approximately \$440,205.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2013.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2013, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 13 months or less.

NOTE 3 - DUE TO/FROM OTHER FUNDS

Interfund receivables and payables at June 30, 2013 are as follows:

<u>Amount</u>	<u>Due To Other Funds</u>	<u>Due From Other Funds</u>
\$190,913	Public Works	General Fund
<u>\$190,913</u>		

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - CAPITAL ASSETS

	Balance at July 1, 2012	Additions	Disposals	Balance at June 30, 2013
PRIMARY GOVERNMENT				
<i>Governmental activities:</i>				
Buildings	\$ 93,690	\$ 7,253	\$ -	\$ 100,943
Land	-	-	-	-
Other improvements	-	150,795	-	150,795
Machinery and equipment	85,308	-	-	85,308
Total other capital assets at historical cost	178,998	158,048	-	337,046
Less Accumulated Depreciation for:				
Buildings	\$ 21,594	\$ 1,924	\$ -	\$ 23,518
Other improvements	-	1,885	-	1,885
Machinery and equipment	38,217	5,268	-	43,485
Total accumulated depreciation	59,811	9,077	-	68,888
Governmental activities Capital Assets, Net	<u>\$ 119,187</u>	<u>\$ 148,971</u>	<u>\$ -</u>	<u>\$ 268,158</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land and construction in progress	\$ 5,000	\$ -	\$ -	\$ 5,000
Total capital assets not being depreciated	5,000	-	-	5,000
Other capital assets:				
Buildings	\$ -	\$ -	\$ -	\$ -
Equipment and improvements	-	-	-	-
Water and sewer system	2,142,553	-	-	2,142,553
Total other capital assets at historical cost	2,142,553	-	-	2,142,553
Less Accumulated Depreciation for:				
Buildings	\$ -	\$ -	\$ -	\$ -
Equipment and improvements	-	-	-	-
Water and sewer system	27,654	53,564	-	81,218
Total accumulated depreciation	27,654	53,564	-	81,218
Other capital assets, net	2,119,899	(53,564)	-	2,066,335
Business-type activities Capital Assets, Net	<u>\$ 2,239,086</u>	<u>\$ 95,407</u>	<u>\$ -</u>	<u>\$2,334,493</u>

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 - CHANGES IN LONG-TERM DEBT

The Public Works Authority entered into a loan agreement with Rural Development in the amount of \$399,000 on April 22, 2010. The loan requires interest only payments on April 22, 2011 and April 22, 2012 then monthly payments of \$1,529 beginning on May 22, 2012 with the last payment due on April 22, 2050. The loan has an interest rate of 3.250%.

The Public Works Authority entered into a loan agreement with Rural Development in the amount of \$132,000 on April 22, 2010. The loan requires interest only payments on April 22, 2011 and April 22, 2012 then monthly payments of \$441 beginning on May 22, 2012 with the last payment due on April 22, 2050. The loan has an interest rate of 2.375%. This loan was paid off during the year with CD's that were cashed.

The following is a summary of changes in long-term debt of the proprietary fund for the year ended June 30, 2013.

	Payable at July 1, 2012	Retired/ Added	Balance at June 30, 2013
Rural Development	\$ 131,641	\$ (131,641)	\$ -
Rural Development	398,108	(5,490)	392,618
	<u>\$ 529,749</u>	<u>\$ (137,131)</u>	<u>\$ 392,618</u>

2010 Note payable with USDA Rural Development dated
April 22, 2010, original sales lease price of
\$399,000 with an annual interest rate of 3.250%
due in monthly installments of \$1,529 for 40 years. 392,618

Total Notes Payable \$ 392,618

Following is the anticipated annual debt service amounts for principal payments.

<u>Year Ended October 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2014	\$ 5,799	\$ 12,549	\$ 18,348
2015	5,990	12,358	18,348
2016	6,188	12,160	18,348
2017	6,392	11,956	18,348
2018	6,603	11,745	18,348
2019 - 2023	36,427	55,313	91,740
2024 - 2028	42,845	48,895	91,740
2029 - 2033	50,393	41,347	91,740
2034 - 2038	59,273	32,467	91,740
2039 - 2043	69,717	22,023	91,740
2044 - 2048	81,999	9,741	91,740
2049 - 2050	20,992	414	21,406
Total	<u>\$ 392,618</u>	<u>\$ 270,968</u>	<u>\$ 663,586</u>

The loan agreements require a debt service account be established and a deposit equal to 10% of the monthly payments be deposited to the account until accumulation of one annual installment or \$23,640 is met. The reserve fund is required to establish an emergency fund for maintenance and repairs and debt repayment. The percent of the proposed loan installment would equal \$197 per month. At June 30, 2013, the required reserve had not been contributed to.

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 - COMPENSATED ABSENCES

The Town and Authority have not reported an amount for accrued compensated absences. The amount of compensated absences to accrue at June 30, 2013 would not likely be material.

NOTE 6 - OKLAHOMA FIREFIGHTERS PENSION

The Town participants in one employee pension system as follows:

<u>Name of Plan/System</u>	<u>Type of Plan</u>
Oklahoma Firefighters Pension and Retirement Fund	Cost Sharing Multiple Employer - Defined Benefit Plan

The Town of Alderson participates in the statewide cost-sharing multi-employer defined benefit plan on behalf of the volunteer firefighters. The system is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provision:

	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Obtaining separately issued financial statements	Firefighters Pension & Retirement 4545 N. Lincoln Blvd., Suite 265 Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	None
Town's contribution rate	\$60
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	10 years
Eligibility and benefits for distribution (full-time)	20 years credited service 2½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits
Eligibility and benefits for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered
Deferred retirement option	Yes, 20 years credited with continued service for a maximum of 30 or more years

TOWN OF ALDERSON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Provision for:	
Cost of living adjustments	Yes, if vested by 5/83
(normal retirement)	

Trend information:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$1,200	100%
2012	900	100%
2011	300	100%

Trend information shows the progress of the System in accumulating sufficient assets to pay benefits when due is presented in their separate annual financial reports.

NOTE 7 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - FEDERAL STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 9 - SUBSEQUENT EVENTS

The Town has evaluated subsequent events and contingencies through September 11, 2017, the date which financial statements were available. The Town does not believe there are any events that require disclosure.

TOWN OF ALDERSON, OKLAHOMA
Notes to Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2013

NOTE 10 - BUDGET

Budgetary Accounting

The Town prepares its budget on the cash basis of accounting for all revenues. The modified accrual basis of accounting is used for the budgeting of expenditures with the exception of the net effect of certain year-end accruals.

Budget Law

The Town prepares its annual operating budget under the provision of the Estimate of Needs Law (68 O.S. Section 3001-3033 & 62 O.S. Section 461). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Governing Body must begin preparing Estimate of Needs and report of revenues, first Monday in August.
- b. Excise Board convenes July 1, to set schedule for public meetings.
- c. Prepare estimate of Needs by September 1.
- d. Submit financials and needs estimate to county excise board
 - Incorporated towns by August 22
 - Cities by August 27
- e. Publication affidavit filed at least 5 days after filling.

In accordance with Title 60 of the Oklahoma State Statutes, the Alderson Public Works Authority is required to prepare an annual budget and submit a copy to the Town as beneficiary. However, there are no further requirements such as form of budget, approval of the budget or definition of a legal level of control.

Budgetary Compliance

For the year ended June 30, 2013, the Town has complied, in all material respects, with the applicable budget laws.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Town of Alderson
Alderson, Oklahoma

I have audited the accompanying financial statements-modified cash basis, of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Alderson, Oklahoma, as of and for the year ended June 30, 2013, which collectively comprise the Town of Alderson, Oklahoma's basic financial statements, and have issued my report thereon dated September 11, 2017 which was adverse. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Alderson's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Alderson's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Alderson's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal controls that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider failure to maintain complete accounting records to be a *significant deficiency*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Alderson, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance listed below or other matters that are required to be reported under *Government Auditing Standards*. The Town failed to maintain complete accounting records for the year. Failure to maintain complete accounting records could result in failure to comply with an Open Records Act request.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
September 11, 2017